

Message Text

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STADIS////////////////////////////////////

TOSEC 464

E.O. 11652 GDS

TAGS: EAGR

SUBJECT: PRESIDENTIAL STATEMENT ON MEAT AND DAIRY IMPORTS.

REF: TOSEC 430

1. BEGIN UNCLASSIFIED: FOLLOWING IS PORTION OF UPI REPORT
QUOTING PRESIDENT FORD IN SPEECH DELIVERED OCTOBER 31 AT
SIOUX CITY ON BEEF AND DAIRY IMPORTS: BEGIN QUOTE
PRESIDENT FORD ANNOUNCED PLANS TODAY TO PROTECT AMERICAN
FARMERS AGAINST ANY SUBSIDIZED OR INCREASING COMPETITION
FROM FOREIGN DAIRY AND MEAT SUPPLIERS. FIRST, HE SAID,
IF IMPORTS OF MEAT SUBJECT TO THE MEAT IMPORT LAW THREAT-
EN TO PICK UP MARKEDLY DURING THE NEXT YEAR AND THE AGRI-
CULTURE DEPARTMENT'S ESTIMATES OF 1975 IMPORTS EXCEEDS
THE TRIGGER LEVEL UNDER THE MEAT IMPORT LAW, I WILL EITHER
IMPOSE QUOTAS OR NEGOTIATE VOLUNTARY EXPORT RESTRAINT AGREE-
MENTS WITH FOREIGN SUPPLIERS. THIS ADMINISTRATION, HE
SAID, IS NOT GOING TO PERMIT FOREIGN DAIRY PRODUCERS TO
COMPETE AGAINST AMERICAN DAIRYMEN IN THE U.S. MARKET WITH
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SUBSIDIZED PRODUCTS.

IF THE EUROPEANS REINSTITUTE THEIR EXPORT SUBSIDIES ON DAIRY PRODUCTS DIRECTED AT THIS MARKET, I WILL IMPOSE COUNTERVAILING DUTIES ON THESE PRODUCTS. THIRDLY, HE SAID, THERE WILL BE A INNERQUOTE THOROUGH REVIEW END INNERQUOTE OF MARKET CONDITIONS AND A INNERQUOTE FULL OPPORTUNITY END INNERQUOTE FOR AMERICAN DAIRYMEN TO SPEAK OUT BEFORE THERE WILL BE ANY ACTION TO CHANGE CURRENT

DAIRY IMPORT QUOTAS. END QUOTE. END UNCLASSIFIED. BEGIN CONFIDENTIAL.

2. EB HAS THE FOLLOWING COMMENTS:

MEAT IMPORTS

THE PRESIDENT'S STATEMENT AMOUNTS TO A FIRM COMMITMENT TO TAKE ACTION TO RESTRICT IMPORTS IN 1975, SINCE IT IS A CERTAINTY THAT USDA'S ESTIMATE OF IMPORTS FOR 1975 WILL EXCEED BY A CONSIDERABLE MARGIN THE QUOTE TRIGGER LEVEL UNQUOTE OF THE MEAT IMPORT ACT (THE TRIGGER LEVEL FOR 1975 IS ABOUT 1,225 MILLION POUNDS AND IS BASED ON A MATHEMATICAL CALCULATION OF IMPORTS AS A FIXED RATIO OF A THREE-YEAR AVERAGE OF U.S. DOMESTIC PRODUCTION). THE MAJOR BURDEN OF THE RESTRICTION IN IMPORTS WILL BE BORNE BY AUSTRALIA, AND TO A LESSER EXTENT NEW ZEALAND, SINCE THE SURGE OF IMPORTS DURING 1975 WILL BE CONCENTRATED ALMOST EXCLUSIVELY FROM THESE TWO COUNTRIES. IMPOSITION OF IMPORT QUOTAS WOULD VIOLATE OUR GATT OBLIGATIONS. MITIGATING OUR ACTION HOWEVER IS THE FACT THAT MOST OTHER MAJOR IMPORT MARKETS ARE CLOSED (EC AND JAPAN) OR SEVERELY RESTRICTED (CANADA). WE IN FACT ARE ABOUT TO EXERCISE OUR GATT RIGHTS AGAINST CANADA BY PUTTING QUOTAS ON THEIR BEEF EXPORTS TO THE U.S. VOLUNTARY RESTRAINT BY EXPORTERS RATHER THAN IMPORT CONTROLS BY US WOULD BE PREFERABLE (ASSUMING THEY CAN BE NEGOTIATED) BECAUSE THEY WOULD AVOID RETALIATION, AND WOULD AVOID A ROW WITH CENTRAL AMERICAN EXPORTERS (OUR MAJOR SOURCE AFTER AUSTRALIA AND NEW ZEALAND)

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THE PRESIDENT'S STATEMENT REPRESENTS NO CHANGE IN RECENT US POLICY WITH RESPECT TO DAIRY IMPORTS. IN SIOUX FALLS ON OCTOBER 16 THE PRESIDENT INDICATED THAT DAIRY IMPORT QUOTAS WOULD BE RETAINED BECAUSE OF UNFAIR ADVANTAGES FOREIGN PRODUCERS WERE ENJOYING. THE QUOTA SYSTEM WOULD NOT BE CHANGED WITHOUT REVIEWING MARKET CONDITIONS AND GIVING AMERICAN DAIRY PRODUCERS AN OPPORTUNITY TO STATE THEIR VIEWS. THE PRESIDENT SAID HE UNDERSTOOD THE

CONCERN OF THE DAIRY INDUSTRY THAT THE DAIRY SUPPORT PRICE SYSTEM IN THE US SHOULD NOT BE UNDERMINED BY FOREIGN PRODUCERS. SOME PRODUCERS OVERSEAS, HE CONTINUED, WERE TRYING TO SHIFT THE BURDEN OF INFLATION AND THEIR OWN COST-PRICE PROBLEMS ON TO THE US MARKET, AIDED BY ARTIFICIAL INCENTIVES FROM THEIR GOVERNMENTS. FINALLY, HE CALLED FOR NEGOTIATIONS WITH OTHER COUNTRIES TO ACHIEVE AN UNDISTORTED AND FAIR DAIRY MARKET WORLDWIDE.

THIS U.S. POLICY AS ENUNCIATED ABOVE IS WELL UNDERSTOOD BY OUR SUPPLIERS OF DAIRY PRODUCTS, PARTICULARLY BY THE EC, ALTHOUGH THERE MAY BE SOME EMOTIONAL REACTION IN EUROPEAN PRESS, AND SOME CONCERN ON THE PART OF OTHER SUPPLIERS AS TO WHEN WE WILL BE LAUNCHING COUNTERVAILING DUTY PROCEEDINGS AGAINST THEM. WE ASSUME GOVERNMENTS OF SUPPLYING COUNTRIES, ESPECIALLY THE EC, WILL UNDERSTAND CONTEXT IN WHICH THESE STATEMENTS ARE MADE, AND WILL NOT USE THEM TO INFLAME THEIR OWN DAIRY CONSTITUENCIES. INGERSOLL

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